

ITEM NUMBER: 17.1

CONFIDENTIAL

GLENELG FOOTBALL CLUB

Pursuant to Section 83 (5) of the Local Government Act 1999 the Report attached to this agenda and the accompanying documentation is delivered to the Council Members upon the basis that the Council consider the Report and the documents in confidence under Part 3 of the Act, specifically on the basis that Council will receive, discuss or consider:

- d. commercial information of a confidential nature (not being a trade secret) the disclosure of which -**
 - (i) could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and**
 - (ii) would, on balance, be contrary to the public interest.**

Item No: **17.1**

Subject: **GLENELG FOOTBALL CLUB**

Date: 24 January 2017

Written By: General Manager Business Services

General Manager: Business Services, Mr I Walker

SUMMARY

There has been further developments on this matter subsequent to Council's previous decisions including discussions with Glenelg Football Club and a response from ANZ Bank.

RECOMMENDATION

That Council revokes Resolution C221116/584 made at its meeting on 22 November 2016 in their entirety and replace with the following:

- 1. That Council re-affirms its commitment to support Glenelg Football Club in its objective of long-term sustainability.**
 - 2. That the Chief Executive Officer negotiate for the balance of the first tranche of the sale proceeds held by SANFL (\$162,000) be released to the Glenelg Football Club and applied to reduce the Club's secured debt on a pro-rata basis of $\frac{2}{3}$ paid to Council (ie. \$108,000) and $\frac{1}{3}$ to ANZ Bank (ie. \$54,000)**
 - 3. That the Chief Executive Officer negotiate an in-principle agreement with Glenelg Football Club to share future tranches of SANFL sale proceeds on a basis of $\frac{2}{3}$ to Council and $\frac{1}{3}$ to ANZ Bank.**
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COMMUNITY PLAN

A Place that Provides Value for Money

COUNCIL POLICY

Borrowing Guidelines for Community Organisations.

STATUTORY PROVISIONS

Not applicable.

BACKGROUND

This matter has been considered by Council at various times including recent meetings.

At its meeting on 22 November 2016, Council considered the report from BRI Ferrier (independent investigative accountant) and passed two resolutions as follows:

Resolution C221116/584:

1. *That Council re-affirms its commitment to support Glenelg Football Club in its objective of long-term sustainability.*
2. *That Council puts the following proposal to Glenelg Football Club, SANFL and ANZ in order to release funds and reduce the club's overall indebtedness:*
 - a. *the balance of the first tranche of sale proceeds held by SANFL (\$162,000) be immediately released to the club and applied to repay Council's secured debt and the proceeds from the club's Save the Tigers debt demolition campaign (approximately \$80,000) be immediately applied to repay ANZ's loan facilities; and*
 - b. *the parties agree to enter into negotiations as soon as practicable to reach agreement on the application of future tranches of SANFL sale proceeds (\$1.75 million).*
3. *That Council prefers Option 3 as outlined in Report No: 285/16 (Council negotiates a sharing arrangement with ANZ Bank). Council appoints BRI Ferrier, as its agent, to assist in its negotiations with ANZ and authorises the Chief Executive Officer and Mayor, after ratification by council, only in the event items are not met, to sign any agreements with Glenelg Football Club, Glenelg Footballers Club, SANFL and ANZ that provides:*
 - a. *a sharing of future SANFL sale proceeds to be applied in the proportion of ⅔ to repay Council's secured debt and ⅓ to repay ANZ's secured debt; and*
 - b. *where permitted under the terms of the SANFL's arrangements with Glenelg Football Club, the SANFL sale proceeds be paid directly to Council and ANZ; and*
 - c. *neither Council or ANZ will take any action to enforce rights under their loan and security interests without first advising and discussing with the other.*
 - d. *Council enters into a formal deed of arrangement with GFC, GHFERS, ANZ and SANFL recording the obligations of the parties. The terms of this deed to be determined in consultation with and by agreement of council upon achievement of an agreed outcome in a and b above.*

Resolution C221116/586:

That the loan tranches to the Glenelg Football Club funded by back-to-back loans from the LGFA be renewed as they mature at the prevailing LGFA interest rate without adding a 0.50% credit margin and loan tranches funded by Council reserves be immediately rolled over at prevailing LGFA interest rates without the 0.50% credit margin.

At its meeting on 13 December 2016, Council considered correspondence from Glenelg Football Club and Glenelg District Cricket Club and resolved:

1. *That the CEO initiates discussions with the Glenelg Football Club and the Glenelg Cricket Club with a view to negotiating new leases with these clubs.*
2. *That the Glenelg Football Club lease payment to the City of Holdfast Bay be for the amount of \$40,000 for the next 3 financial years from 31/10/16 to 31/10/19, after which time a new lease amount is to be renegotiated between Council and the Glenelg Football Club for the remaining term of the lease as per Council Policy.*
3. *That the Glenelg Cricket Club lease payment to the City of Holdfast Bay be negotiated for an amount up to \$5,000 for the next 3 financial years from 31/10/16 to 31/10/19, after which time a new lease amount is to be renegotiated between Council and the Glenelg Cricket Club for the remaining term of the Lease as per Council Policy.*
4. *That any reasonable maintenance in relation to the Glenelg Football Club and the Glenelg Cricket Club be undertaken by the City of Holdfast Bay.*

REPORT

Subsequent to a meeting with Glenelg Football Club on 23 December 2016, the Club put forward Council's proposal in relation to the first and subsequent SANFL tranches to ANZ Bank (ie the components of Council Resolution C221116/584). ANZ Bank has rejected Council's proposal and has indicated that a 2:1 sharing would be acceptable.

Refer Attachment 1

BRI Ferrier has been engaged to negotiate with ANZ Bank on Council's behalf but have been 'put on hold' pending resolution of unfolding developments and indications from some elected members of a rescission motion.

Resolution C221116/586 has been discussed with Glenelg Football Club and arrangements are being put in place to give it proper effect.

The proposed lease arrangements have been discussed with Glenelg Football Club and Glenelg District Cricket Club are being separately progressed.

The balance of the first tranche of the SANFL sale proceeds (\$162,000) has been available to Glenelg Football Club for several months but has not been released pending resolution of allocation. This delay continues to add financial pressure on the Club, and on its relationship with its two secured lender, Council and ANZ Bank.

At this point, Council essentially has two options in relation to the SANFL sale proceeds: hold the line on its current proposal or accept the 2:1 pro-rata sharing indicated by ANZ Bank.

Holding the line with the Club and ANZ Bank presents various risks, including:

- further damage to relationships (noting that Council benefits from having ANZ Bank as a lender to the Club);
- Council and the Club incurring more costs;
- additional delay to releasing the first tranche and the financial cost to the Club;
- either lender placing the Club into default (a situation that benefits none of the parties).

It is recommended that Council enter into negotiations for a 2:1 sharing on the SANFL sale proceeds by revoking the previous resolutions and replacing with a new one. This will allow the matter to be resolved and the balance of the first tranche to be released quickly, and all parties to move forward in a constructive manner.

BUDGET

This report has an implication for Council's 2016-17 budget. The budget assumes that Glenelg Football Club would resume repaying principal and interest when the current interest-only arrangements expire.

LIFE CYCLE COSTS

This report does not have any life-cycle cost implications.

Ian Walker

Subject: FW: SANFL Land Divestment Fund Distribution 2016

From: Nick Chigwidden [<mailto:nchigwidden@physioxtra.com>]
Sent: Wednesday, 4 January 2017 3:21 PM
To: Justin Lynch <JLynch@holdfast.sa.gov.au>
Cc: 'Glenn Elliott' <gelliott@glenelgfc.com.au>; David Whelan <dwhelan@whelancare.com.au>
Subject: FW: SANFL Land Divestment Fund Distribution 2016

Hi Justin

I hope you had a nice Christmas and New Year and I think luckily you may still be on leave. After our last meeting on the 23rd December Glenn did immediately communicate with the bank the Councils proposed position in regards to the split for the remaining \$162k of the Land Divestment distribution, hoping we could get some agreeance allowing you take this to the next council meeting for approval.

Julian did reply on the same day, however I apologise I didn't get around to forwarding the response to you in the pre-Christmas rush. As you can read below the bank is not willing to accept the Council's position and appear to be digging their heels in over this matter, which certainly places us all in a difficult position.

When you are back in the office can you please contact Glenn or myself so we can discuss further and look at the best strategies going forward. The issue is really going to be between the bank and the council and ultimately out of our control, as we require a signed letter from both parties agreeing to their distribution before the SANFL will release any funds.

I know this is certainly a concern for GFC Board and Management as it appears that the relationship between our two lenders is escalating and placing us in a much more vulnerable position.

Look forward to speaking soon.

Regards

Nick

From: Bone, Julian(POR) [<mailto:Julian.Bone@anz.com>]
Sent: Friday, 23 December 2016 2:32 PM
To: Glenn Elliott <gelliott@glenelgfc.com.au>
Cc: Doubtfire, Jamie(POR) <Jamie.Doubtfire@anz.com>; Nick Chigwidden <nchigwidden@physioxtra.com>
Subject: RE: SANFL Land Divestment Fund Distribution 2016

Dear Glenn

Not sure where the Council gets their logic.

If we take a step back. ANZ's position was initially, at the time the relationship aspects transferred to this department, that it expected 100% of the SANFL distribution.

It could be argued the Council has the land and potentially, in the event that GFC was to fold, hoping that this does not occur of course, then the Council would assume the land with the improvements, which were in a large part funded by ANZ. As realisable security ANZ would have gaming machines and some plant and equipment. ANZ is happy to support GFC and has been generous in its forbearance in years when trading was marginal. With the board of GFC ANZ agrees that reducing the current debt burden should be a prime focus.

Regarding the Debt Buster campaign, ANZ made no specific claim to the money other than there was an understanding that this was separate initiative to the SANFL distributions and was something to do with GFC's desire to reduce the debts. In our meetings we had a view that you desired to reduce the debt with ANZ with these funds.

This brings us to the Council's stance demanding 80% of the SANFL distribution because none of the debt buster campaign money went to them. ANZ is not receptive to this split. In our view the 66/34 split is more than generous and the Council is now holding GFC/ANZ to ransom with this latest demand. Ultimately it is late in the day, i.e. pre-Christmas break, to take any proposal through our credit chains but I would not expect a receptive response to any proposal on the distribution (even if the view is that the distribution is only for this years) suggested by the Council and we are more likely to receive a response that ANZ requires a greater % e.g. 50/50 split or more.

Happy to discuss, perhaps next week or in the early New Year.

Kind regards

Julian Bone

Associate Director
Lending Services - Corporate & Commercial

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From: Glenn Elliott [<mailto:gelliott@glenelgfc.com.au>]
Sent: Friday, 23 December 2016 2:04 PM
To: Bone, Julian(POR)
Cc: Doubtfire, Jamie(POR); Nick Chigwidden
Subject: RE: SANFL Land Divestment Fund Distribution 2016

Dear Julian

GFC met with the City of Holdfast Bay Council this morning – Friday 23 December ,2016. Council 's position to resolve distribution of the outstanding \$162,00 remaining from this year's distribution is that it be allocated as follows:

- ANZ Bank \$32.400 – 20%
- Council \$129.600 – 80%

This distribution is not the formula for future distributions which would require the joint approval of Bank and Council. Council's decision is influenced by the earlier distribution of 100% of the ' Save the Tiger' Funds direct to the ANZ Bank. Council had anticipated receiving a percentage of same.

We await your advice.

Regards
Glenn